

THE CHINA
WEEKLY

REVIEW

報 論 評 氏 勒 密

A Weekly Newspaper Established In 1917

April 30, 1949

REFUGEE PROBLEM

AN EDITORIAL

Disillusionment In Japan

William Costello

Slow-Motion Industrial Revolution

Andrew Roth

Canton Watches The North

Julian Schuman

YANGTZE NAVAL INCIDENT

AN EDITORIAL



力得固

袖領膠橡

Sole Distributors:



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LETTERS From The People

Comments from readers on current topics are cordially invited; their opinions, however, do not necessarily represent the views of The China Weekly Review.

Peace Manifesto

To The Editor:

It will be appreciated if you publish the following "Manifesto on World Peace" issued by 219 university professors, cultural workers, leaders in industry and commerce, and men of the free professions in the Shanghai-Nanking area on the eve of the convention of the Paris Peace Rally:

"A Manifesto On World Peace"

It is universally conceded that World War II was a struggle between democracy and fascism, between reason and madness, between the great masses of common people and a few ruthless world conquerors. Cherishing infinite hopes during wartime, people held the notion that would prove to be the last round of carnage and destruction in human history and that with the advent of victory, not only could peace among nations be insured, but tyranny and exploitation would also disappear everywhere. Confident of such a future, the people of the United Nations rose up one and all to guard their own interests, thus making it possible for the allied forces to achieve definite results on the battlefields. Unfortunately, as the world situation is seen today, the victors are beaten and the vanquished have won. The Rooseveltian ideal has been betrayed, people all over the world are immersed in deeper misery than ever, while the successors of Hitler, Mussolini and Tojo, with far greater power and finer cunning, are pushing forward in the deep recesses of Wall Street their grand strategy of global conquest.

The greater part of the civilized world has been reduced by the late conflagration to a state of ruin and poverty, but the big bosses of New York and Chicago have reaped a huge fortune. A very large share of America's industrial production, as well as of the world's, is now, directly or indirectly, under the thumbs of a few financial czars. The continual increase of their wealth and the limitless expansion of their power has become a grave menace to the welfare and security of mankind. By employing all the tricks of subtle conspiracy and high pressure, these members of the American branch of the Fascist International have made a bloodless conquest, the evidences of which are the Eightieth Congress and the expulsion of Wallace from his cabinet office. The election success of Truman, though unexpected, does not change the fundamental order of things; when necessary, these almighty magnates can lightly circumvent him and directly bid his subordinates and their own newly bought voices of "public opinion" to act according to their instructions. Meanwhile, a certain number of petty lieutenants of that great commander-in-chief of peace during wartime... think they can, with their own capability, America's war potential and a thousand atomic bombs, easily carry out Hitler's unfinished task of overrunning the world.

To have conquered the United States almost means the work of world conquest half done. All her domestic and foreign

THE CHINA WEEKLY REVIEW

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affairs as well as her social activities that have to do with the domineering rule of that oligarchic group must be formulated by them and submitted to their approval. . . . These people can neither suffer the first half of their work spoiled nor leave the second half unfinished. Therefore, to stave off the approaching depression, to induce the congested flow of their factory output, to enjoy another orgy of roaring business in iron and steel, arms and ammunition, liquid fuel and chemicals, and airplanes and tanks, and to monopolize once and for all the natural resources and manpower of this earth, these Morgans, Duponts, Rockefellers and Mellons urgently press for the immediate launching of a third world war.

It has often been argued that America's war preparations are a defensive measure against Russia's aggressive intentions. The pretext is entirely unfounded. That the Soviet Union wants peace and does not wish war is even vouched for by such an anti-Russian rightist as John Foster Dulles. Yet the economic rulers of America . . . are determined for war. They have made America, in peacetime, institute nation-wide military training and the draft, speed up the manufacture and culture of atomic weapons, rockets, poisonous gases and bacteriological colonies, train personnel for and equip 70 air units, build hundreds of air, sea and land bases from the Aleutians to Africa, and employ a group of flamboyant warlords and heartless politicians to sell camouflaged aggression. They order their hirelings to set free German and Japanese war criminals and give zest to the rehabilitation and rearmament of the common enemies of the United Nations. They hook up with the betrayers of the British Labor Party and employ a forlorn politician, kicked out of 10 Downing Street by the British people, as a commercial traveller to promote the sale of death. They manipulated elections in France and Italy. They befriended Franco and Peron. They have supported the crooks, gangsters and usurpers of Greece, . . . and Korea . . . and stirred up civil warfare in the countries. They encourage the age-old invaders and quislings of Southeast Asia and help to suppress the patriotic liberation movements in Burma, Indo-China and the Dutch East Indies. They scrapped the Potsdam Agreement and undermined the foundations of the United Nations. They give away that poisoned cream-cake, the Marshall Plan, as alms to the hungry millions of Europe; their latest haul is that, with the shedding of a few crocodile tears, Europe has been shaped into a springboard for World War III by means of the North Atlantic Pact. They are scheming for similar military alliances in the Mediterranean, the Near East and the Pacific. In short, collective security has been knifed in the back. . . .

On this eve of the convention of the Paris Peace Rally, we, who serve in the fields of education, culture, industry, commerce and the free professions in the Shanghai-Nanking area, do take the occasion to set forth our views about the imminent war threat and the way to peace. We cannot freely assemble to elect our local representatives to the Conference, nor can we publish our opinions in any way here under this

Wall Street regard as the bulwark of freedom and democracy. But we must have our say. Bearing no grudge against the American people, for we are decidedly not anti-American, we do wish, however, to express our considered censure of those who brew sinister machinations against world peace.

It is our opinion that enlightened capitalistic nations could well co-exist and even cooperate with socialistic ones, as was amply proven during the last

war. But inordinate greed and gross selfishness are ultimately incompatible with human welfare and security. Atomic power and other technological inventions should be used for stepping up peacetime production, by means of which the standard of living of the common people could be elevated and the economically backward nations aided on their way to progress. Popular movements should be started all over the world to enforce universal disarmament and cripple all reactionary efforts at war. Those who falsely believe, that the battlefield victories in 1945 were wholly due to the abilities of a few generals and that with the active assistance of such generals they could swallow up this world in one gulp shall eventually discover their fatal mistake. They are sure to find out some day, if they persist in their present course, that the atomic bomb as an irresistible offensive weapon, is of no more avail than the Maginot Line was an invulnerable defensive one. With only their own lives at stake, they might be free to have a try, but as the human race is imperiled, we must stop their madness in advance....

We hereby do heartily congratulate the Paris Peace Conference in its aim to spread the seeds of peace and fervently hope that it can fulfill its great mission. We do solemnly call upon the great masses of the toilers of this earth, workers in education, science and culture, and progressive elements in the industrial and commercial spheres all over the world to stand on the side of peace, democracy and progress and to deal the schemers and instigators of World War III a telling blow on the head.

(Signed) 219 UNIVERSITY PROFESSORS, CULTURAL WORKERS, LEADERS IN INDUSTRY AND COMMERCE, AND MEN OF THE FREE PROFESSIONS IN THE SHANGHAI-NANKING AREA.

Shanghai
April 19, 1949

Mukden Students

To The Editor:

Being myself a refugee student, I think that those in the same plight, especially those coming from the north-eastern provinces, will be interested to read the following passage quoted from my friend's letter, mailed from Mukden.

"When Peiping was captured by the Communists, we left it and taking the train returned to Mukden. There we were welcomed by the unchanged high black mountains and white rivers, and our college buildings were still standing high under the sky. But our school's name, 'National San-yang Medical college' was changed to 'China Medical University,' and we had a new medical president, Mr. Wang, approved by the Communists and a sincere Communist veteran. Our old educational system isn't much changed, though our new mode of life doesn't allow any more individualism. We, students, are formed into small groups to promote mutual help and mutual understanding, consequently in our studies and life are closely related. We also spend much of our time and efforts in the study of such subjects as the development of political history, international problems and land reform etc..."

... broadcasts have always presented the people living in the [redacted] areas as oppressed behind the so-called "iron curtain." But the above letter shows that life is not as bad as the [redacted] description.

Y. T. YAO,

Chinkiang, Kiangsu
April 19, 1949

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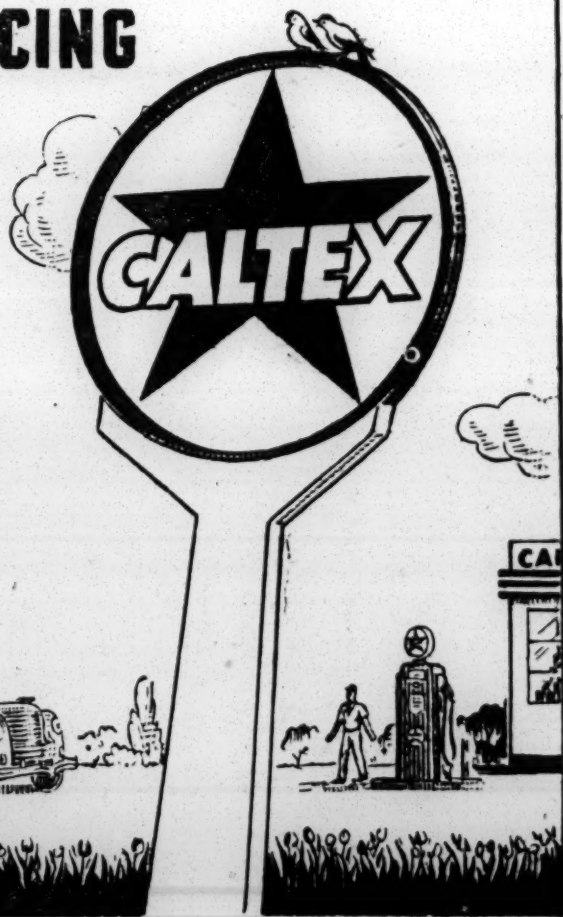
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THE CHINA WEEKLY REVIEW

報論評氏勒密

A Weekly Newspaper Established in 1917

The editorial pages present each week the opinions of the editor. The other pages of The China Weekly Review are written by the other members of the staff and the contributing editors who report and interpret the news irrespective of the views expressed in the editorials.

Vol. 113 Shanghai, Saturday, April 30, 1949 No. 9

Yangtze Naval Incident

IT is difficult to comment upon the recent Yangtze naval incident involving British warships and Chinese Communist forces. The whole thing need never have happened. The fact that it did take place leaves everyone with a rather sick feeling.

The original error, it should be pointed out, was one of judgment on the part of the British naval authorities who ordered the warship *Amethyst* to proceed up the Yangtze to Nanking at a time when virtually everyone believed that a Communist crossing was imminent. The Peiping peace talks had already broken down and the resulting offensive was expected by most people. In any case, the Yangtze had been unsafe for weeks as Nationalist and Communist artillery had been engaging in duels across the river ever since the Reds established beach heads on the North bank. Furthermore, a British Foreign Office spokesman admitted in the House of Commons that the Nationalist Government some time ago warned Britain that it was unable to guarantee safety of ships on the Yangtze.

Aside from this, it is difficult to place blame for the actual engagements which finally resulted in the shelling of four British ships and the loss of considerable life. The Communist artillery, apparently presuming the *Amethyst* to be a Nationalist vessel, opened fire, crippling the ship and wounding and killing a number of British naval personnel. Virtually the same thing happened to three other British ships which went to the aid of the *Amethyst*, although they were able to return to Shanghai under their own power.

There has been a move afoot in some quarters to convince the public that the Communists were well aware of the fact that the *Amethyst* was a British ship and that their firing on it was a deliberate anti-foreign act. This, of course, is nonsense. According to press accounts, the Nationalist artillery on the south bank of the Yangtze were alerted when the Communists began shelling the *Amethyst* from the north bank and were at a loss as to what to do. Apparently not wanting to become involved in this dispute between war-

ships and the Communists, they telephoned the Chinese Naval headquarters asking if they should come to the aid of their ship. The Nationalist Navy replied that they didn't think the ship involved belonged to them since they had not been notified of any such trip. It would thus seem that neither the Nationalist Army nor Navy were able positively to identify the *Amethyst*, either as a Chinese ship or a foreign one. Therefore, how could one expect that Communist artillerymen, probably much closer to the paddy fields than their Nationalist counterparts, would be able to identify the ship as British and therefore purposely attempt to sink it?

It seems far more likely to us that the Communists, busily preparing for their major crossing, simply opened up on what they presumed to be a Nationalist ship sent to this danger spot to impede the expected crossing. It is quite possible—although not altogether certain—that the Communists discovered their mistake when the third and fourth British ships joined the action. However, by this time tempers must have been aroused and it is likely that the Communists would have shot at any and all ships attempting to reach the grounded *Amethyst*.

* * *

THE local English-language press has been front-paging the news of this action, with stories and pictures of the damaged ships, the wounded, and the dead. Editorials have been written expressing sympathy with the British and especially with the families of the British casualties. So far, however, there has been no comment about what happened on the north bank of the Yangtze, except for the bare announcement that, according to the Communist radio, the Chinese forces suffered 252 casualties and that a part of their positions and weapons were destroyed by the British return fire. Chinese losses may have been even greater since British naval personnel have stated that at least two villages were fired during the first attempt to rescue the *Amethyst*. The naval gunners, it was said, were unable to locate the origin of some of the Communist artillery fire because of the limited vision afforded by the ships, but it was thought that spotting was being done in these two villages and therefore they were fired. Naval personnel are also credited with stating that in subsequent action, in which the cruiser *London* was involved, several villages along the north bank of the Yangtze were fired, or at least shelled.

It seems most reasonable to assume that the Communists, or at least the people living on the north bank of the Yangtze in the vicinity of the engagements, suffered far greater losses than the British.

The local British newspaper, the *North China Daily News*, has announced the establishment of an *Amethyst* Fund for the dependents of the British naval personnel killed in this incident. The public has been advised that all those sympathizing with the plight of these families in England who have lost their sons, brothers, and husbands may express such sympathy by forwarding contributions in the care of the *North China*. This

is indeed a public spirited move. However, we believe that the fund might well be expanded to cover the dependents of those 252 Communist soldiers who lost their lives as a result of British return fire, as well as the dependents of the undoubtedly large number of simple Chinese villagers who lost their lives during the firing of their homes by British shells during the engagement.

The *China Weekly Review* is prepared to serve as a collecting agency for funds for aiding the unfortunate victims. However, we believe that funds should be collected for all casualties or dependents of casualties. Any contributions received from readers will be divided into two parts, one for passing along to the *North China* for addition to the Amethyst Fund for dependents of British casualties, and the other transmitted by us to the proper Chinese authorities.

Refugee Problem

DURING the past several days refugees have been rushing into Shanghai from the surrounding countryside, as well as from areas, such as Nanking, Soochow, etc., rapidly overrun by the Communists following their crossing of the Yangtze. At the moment of writing, the immediate future for Shanghai is not known. So far there is no indication as to whether it is the Communists' intention to move in and occupy the city or to by-pass it for the time being. Also, it is as yet not entirely certain whether the Nationalists

Meanwhile, the city is rapidly being filled with people who for one reason or another are fleeing their homes. In the case of refugees from cities outside Shanghai one may presume that they are anti-Communist or at least believe that flight is preferable to life under Communist rule. It may also be presumed that these refugees are comparatively well off, otherwise they would not be so determined in their flight from communism, nor would they possess the means to remove themselves and their belongings from cities such as Nanking.

The refugees from the farms and villages surrounding Shanghai, though, are of a rather different type and are perhaps to be sympathized with most. Many, if the type of personal and other belongings which they push and pull on carts and other vehicles accompanying them is any criterion, are small shop keepers, farmers, or householders. Perhaps some might be considered as belonging to the upper classes by village standards, but certainly they are poor people by Shanghai standards. Many, apparently, are coolies or farm laborers who are easily carrying all their worldly belongings in a bundle on their backs or on a pole across their shoulders.

Most of these local refugees, we are told, are not actually fleeing the Communists because of the latter's social ideas, but are merely attempting to escape from a war area. Farmers living in the Tazang, Kiangwan, Lunghwa, and Hungjao areas, it is reported, are afraid that the airfields in these sections will become the scene

of bitter fighting and therefore are willing to gather up what movables they can and rush into Shanghai where, they apparently think, they will be safer.

The authorities are worried about this influx of refugees and are said to be considering various methods of limiting the number of people permitted to enter. One recent report estimated that some 300,000 people entered the town during the past week. Shanghai's much talked about "picket fence" presents a barrier which the unarmed refugees cannot overcome and they, therefore, are forced to make their entry attempts along the few streets which have not been closed by this fence. These streets each day are the scene of unbelievable confusion. People, carts, rickshaws, bicycles, trucks, and all conceivable other types of vehicles are jam packed from the walls of the buildings on one side of the streets to the walls of the buildings on the other side.

One such crowd which we observed personally for a considerable time last Sunday lasted until nearly 9:00 p.m. when auxiliary police finally started in at the end of the at least one mile long line and began turning people about and forcing them to go back into the countryside from whence they had come. Protests by those who had been waiting in line for five or six hours, during which time they perhaps had inched their way a block or so nearer the barricade at the railway track, were to no avail. Everyone was turned back and driven into the countryside to spend the night wandering aimlessly from one barricade to another in the western area. Prior to the turning about of the crowd, a brief opening had been made through the mess by a group of [redacted] soldiers who forced a passage for a convoy of trucks through the conglomeration of people and their belongings. Apparently only a very few of these people, who had been gathering all day Sunday, were able to gain entry into Shanghai since the soldiers at the barrier examined the identity papers of each person before allowing him to enter. Further, the barrier apparently was closed at 8:00 p.m., two hours before the regular curfew.

THESE are indeed sad times for the farmers and villagers living on the outskirts of Shanghai. Disorder has almost become a normal state of affairs for many of them. Troops, both Nationalist and Japanese, not to mention those of the puppet Nanking regime, have been quartered in their homes and have eaten their food. A major military campaign has been waged in their fields at frequent intervals. In 1927 the Nationalists arrived and drove out Shanghai's local warlord. In 1931 the Japanese staged their first campaign in the Shanghai area. The Japs came back in 1937, and were replaced by the Nationalists in 1945. Now a new [redacted] is in the offing.

Many cities and areas in China have suffered vastly more than the Shanghai region during the past 20 years, so it is not difficult to appreciate the fact that the country is tired of this seemingly eternal warfare. There is no prospect of external aggression in the foreseeable

future and this revolution, unlike previous ones, is bringing a major social change. Let us hope

so that this area and all of China may once more be at peace and so that the Chinese people will be able to begin the urgent task of building a new country.

Which Headline Do You Read?

Ho Reaffirms Decision To Defend Shanghai—headline in *North China Daily News* on April 25.

Ho Leaves City For Canton—headline in *North China Daily News* on April 25.

Reporting On A High Plane

ANOTHER spy story is trying to make its way out of Tokyo. This one, exclusive so far with the *United Press*, concerns the airplane trip of two Russian couriers from Tokyo to Shanghai accompanied, according to the *UP*, with "351 pounds of secret luggage" which the couriers placed "on reserve seats, not trusting to ordinary baggage handling, and personally guarded" for the entire trip.

Plainly curious because the luggage was given "diplomatic immunity" and therefore was not opened by Chinese customs officials, the *UP* went on to speculate on the contents, remarking that "the size and heft of the packages suggested portable radio transmitters."

It may be that the writer of this dispatch, who is a *United Press* vice-president on a visit to the Far East, has never before seen a diplomatic courier in the service of Russia or, for that matter, the United States, and does not know that couriers for any country are required to keep the mail entrusted to their care within sight at all times. That is the whole purpose of a courier service. The material could otherwise go through the ordinary mails.

What strikes us as significant in this latest *UP* "scare piece", which also found it newsworthy that the two couriers "sometimes exchange words in Russian", is that even the most routine movement of a Soviet citizen in this part of the world is now subject to suspicion and is being reported back to American readers as another example of mysterious Soviet activity.

In the interest of straightening out what may have been an unintentional distortion of fact, we recommend that the *United Press* vice-president visit his own consulate here in Shanghai for a briefing in the mechanics of diplomatic courier service. After learning some diplomatic facts of life, he may even decide that perhaps he was also hasty in public speculation on what was inside the Russian packages, unless, of course, he is so familiar with portable radio transmitters that he can smell one inside any number of wrappings.

On the other hand, perhaps it is this gift of dimensional reporting that gets one a trip to the Far East these days. We shall follow the new arrival's dispatches with interest.

25 Years Ago in The China Weekly Review

April 26, 1924

US Patrols Yangtze

Report has reached China that on April 15 the United States House of Representatives Naval Committee approved the bill for the construction of six new gun-boats for service on the Yangtze River. It was previously reported that the request for six vessels had been cut to three, but vigorous protests from Americans, particularly in China, evidently carried weight. The vessels, according to the bill, which will shortly be put before Congress, are to cost \$700,000 each.

* * *

Kalgan In Chinese Politics

(Following is an extract from an article by Lawrence Impey on the "Importance of Kalgan in Chinese Politics.")

Although it is a dirty dusty little town nestling half hidden in a horseshoe of hills, Kalgan with a population of no less than 75,000 is probably the most important trade center in North China after Peking and Tientsin, and is certainly at the moment well in the foreground also as far as political events are concerned.

It is impossible to overrate the political importance of Kalgan at the present time in case of a civil war, for he who holds either Kalgan or Jehol possesses the master key to the gates of Peking, a fact that is realized well enough by all parties concerned and emphasized in the number of spies of all parties that one meets in its dusty streets, and by the undercurrent of unrest and apprehension that is apparent to even the most casual observer.

10 Years Ago In The China Weekly Review

April 29, 1939

British Plane Fired On

Apparently mistaking the British airlines *Delphinus* of the Imperial Airways Co. for a Japanese craft, Chinese troops fired upon it when it made a forced-landing on the shore of Kwangchow Bay owing to bad weather, the pilot revealed April 21 on the arrival of the plane at Hongkong from Fort Bayard, according to *Domei*. Shortly after hopping off at Fort Bayard the airliner landed along the bay to wait for favorable weather, when it was greeted with a fusillade of shots from Chinese troops. Preferring to take his chances with the weather rather than bullets, the pilot quickly got off the ground again. In Hongkong it was found that the right wing and tail wing of the plane bore a large number of bullet marks while one bullet missed the gasoline tank by one inch, the agency said.

* * *

Europe And China

Referring to China's possible participation in the anti-aggression bloc, Chungking circles point out that peace, to be effective, must be world-wide. They believe that a combination of British, French, Russian and American anti-aggression policy could bring Japan to her knees in three or six months. Such a policy should include an economic embargo against Japan, refusal to sell needed war materials to Japan, refusal to buy Japanese products and positive aid to China, it is recommended.

The same circles also emphasize the value of China's participation in the anti-aggression front to the European democracies. If China is brought into the peace coalition, they point out, Britain and France will have a staunch partner in the Far East, whom they should help to end the war in order to keep from dissipating their strength.

The Chinese papers in Shanghai likewise stress the necessity of the extension of the anti-aggression front to the Far East. The *Chung Mei Jih Pao* declares that the anti-aggression bloc will not be complete without the inclusion of China. With her inexhaustible manpower and material resources, the paper says, China is in a position to contribute greatly to the cause of world peace.

COMMUNIST CHINA'S SLOW-MOTION INDUSTRIAL REVOLUTION

Andrew Roth

A CHINESE family's canny former cook came back to visit them. He had been too sharp a businessman to linger long as a cook, and, after pulling off some financial coups for this family, he had gone into business for himself. In the last months of Kuomintang rule in Peiping he had made a small fortune speculating on the fast-depreciating currency and in other black market operations. "Now," he told the family he was visiting, "times have changed!" He had taken all his money and bought up some old Japanese machinery and was going to become a small industrialist.

This was one canny Chinese's sensitive reaction to the first whisperings of China's industrial revolution which, though starting in low gear, may well supersede in importance the agrarian revolution which the Communists have brought to the rural areas of China which they have taken.

Number One Priority

For many months the Communists have been proclaiming their desire to increase industrial production. For this reason they have declared their intention to protect private industry—except that owned by the Kuomintang bigwigs. They have told the factory workers that they would be paid on the basis of production and have proclaimed as "labor heroes" those who push production far ahead.

In the recent past the Communists have taken this a step further. They have put a Number One priority on China's industries and industrial cities, pushing the agrarian problem into second place. This historic decision was taken at the end of January—after Tientsin and Peiping had fallen to the Communists—and was reemphasized in March at a meeting of the Central Committee in Shihchiachuang.

The striking importance of this shift was underlined in the *People's Daily*, Communist organ for North China, in an editorial on March 17. "During the past 20 years the emphasis of our work has been first on villages and only secondarily on cities. This has been because the counter-revolutionary forces in the villages are relatively weak, so that it is easier for a revolutionary force to exist and develop. Chairman Mao Tse-tung fixed this correct line, and as a result during the period of the Soviet movement 1928-36 and the period of Anti-Japanese Resistance 1937-1945, a revolutionary base was created, great forces for the people's revolution were organized and now today's great victory has been achieved.

"But now the cities, which are changing from counter-revolutionary ramparts into revolutionary ramparts, are entering the period in

which they belong forever to the people. Therefore our old methods must be changed. Chairman Mao and our party's Central Committee have given us new directions: we must reverse our 20-year-old method of emphasizing village work over work in the cities and adopt a method of emphasizing city work over village work. If we cannot do our city work well and employ the cities to lead the villages, then it will be impossible to further the progress of the villages and impossible to transform China from an agricultural nation into an industrial nation. Without this the people's revolutionary rights cannot be safeguarded and the Chinese people will still be unable to work toward a completely new life."

"The most important step," this important editorial continues, "is to restore and develop production in the cities speedily and to transform parasitic cities into productive cities." According to its analysis, "in backward China, a semi-feudal and semi-colonial country, the cities not only consume the agricultural products of the villages but also suck the blood of the farmers and country people to exchange it for the industrial products of imperial nations. In this way the villages and cities become enemies."

Mutual Dependents

The Chinese Communists hope that by concentrating on industrial production in the cities they will convert them from centers of import of foreign industrial goods and export of cheap raw materials to real industrial bases. "Then cities can supply villages with a sufficient amount of cheap industrial products in exchange for which the cities may get agricultural products from the villages. The cities and villages will be transformed from mutual enemies into mutual dependents. In this way the city workers' lives can be improved, resistance against the economic aggression of imperial nations can be strengthened.

... our country can be converted from an agricultural nation into an industrial nation, the workers and farmers' unions can be strengthened, and the People's Democratic Government can also be strengthened."

"We have made a mistake," the Communist organ admits, "in that we haven't paid sufficient attention to this question of city production in some cities which we have already had in our possession for upwards of a month." This criticism is one in which many foreign and Chinese businessmen and industrialists will concur. In Tientsin, the most important industrial and port city of North China, every day looks like Sunday on its once-busy streets. It is estimated that fully 50 percent of

Tientsin's two million people are directly or indirectly dependent upon foreign trade, which is now down to a trickle.

Businessmen complain that the inexperienced Communists have moved very slowly and suspiciously. At the outset the Communists stopped all trading until regulations could be formulated and then when the regulations came out they proved to be too onerous to make it possible to trade effectively. Thus, the ship on which I left Communist China for Hongkong sailed 95 percent empty because it was not worth the exporters' while to ship. The Communists have set up a government trading corporation and have reserved for it some of China's best exports, such as hog bristles, but they do not yet have the contacts abroad to work effectively. Some of the exchange regulations they have formulated are making it more difficult for China to get needed imports. "Under present conditions I couldn't afford to import gasoline for the Communists at less than US\$2.00 a gallon," exclaimed one American businessman who was approached by the Communists on gasoline imports.

Many of the political workers assigned to handle such complicated affairs as industry and foreign trade have been young Communist politicians without any commercial or industrial experience and very suspicious of any attempt to educate them about the facts of economic life. "It looks as if Tientsin's economic revival will have to wait until we have time to educate a city-full of inexperienced political workers," mourned one businessman.

Shipping Difficulties

The Communists have proclaimed that since Communist China has not been recognized by any foreign power, foreign ships cannot enter its waters flying their own flags. They refuse to recognize that under international law a ship entering port without its flag is considered a pirate and is liable to seizure. One British ship which entered the Haiho River bound for Tientsin, with its flag flying, received a warning shot across its bows to turn it back. This sort of attitude has placed obstacles in the way of shipping, compelling some ships to stand outside the territorial waters, unloading on lighters.

There are signs that the pressure of economics is already reshaping Communist policy. They were apparently pushed into reopening trade with Kuomintang China when they found the huge Kailan mines had a million tons of coal above ground and a large force of hungry miners. Kuomintang-held Shanghai was the logical market, so trade

was reopened to secure flour for the coal.

"The Communists will have to change their policies faster," commented one Tientsin consul, "unless they want to be saddled with the support of one million people for an indefinite period." He pointed out that there were comparatively few unemployed at present because the Communist regime was compelling idle factories and firms to continue paying their employees or pay very heavy severance pay, but that few companies could afford this for long.

City Work

The Communists think they can overcome their initial errors. "It will be very difficult," they admit, "but certainly not impossible." One of the methods by which they hope to accomplish this is to transfer their best people to the cities. A recent Communist document entitled "Present Conditions in North China and Duties for 1949" declares: "In accordance with directions from the Central Committee, the center of party leadership must be moved gradually from the villages to the cities. From now on we must do our city work well...all leading organizations and especially high-ranking party members and party members in the big cities must become completely familiar with all policies regarding city work which have been decided upon by the Central Committee....We must do our financial and economic work well, learn how to manage factories and carry on commerce and develop a New Democratic economy diligently and economically....Cities are much more complicated than villages, so we must learn well in order to be able to do the job well."

The "New Democratic" economy which the Communists are attempting to establish is a form of Communist-supervised capitalism. The Marxist theory is that economic society moves from feudalism through capitalism before it reaches socialism. China, according to the Communists, is in a semi-feudal stage and has to have a much stronger industrial base before a socialist form of society can be erected. In line with this, the Communists have limited their expropriations to Government firms or those owned by the so-called "bureaucratic capitalists." These are the "Big Four" Kuomintang tycoons—the Chiangs, the Kungs, the Soongs and the Chens—who waxed fabulously wealthy and were able to elbow their way into control of all sorts of enterprises through their control of the Government. The Communists have for some time stated that other private business, whether Chinese or foreign, would not be interfered with and that private industry would be encouraged. However, it is now clear that there are limits to the encouragement of private enterprise.

In a significant editorial in the March 17 *People's Daily*, China's Communists were told: "It is wrong, of course, if we pay attention only to private enterprises and neglect government enterprises, or if

we support all kinds of private capitalism which is harmful to the plans of the state or the people's livelihood." Among the "harmful" types of private capitalist activity are speculation or the use of important materials for unnecessary luxuries. "It is also wrong," this editorial further warned, "to impose too great or improper limitations on private enterprises, thus preventing them from developing, or perhaps putting them out of business. It has already been decided that at present we need the development of private capitalism. We should keep it within proper limits and lead it in the proper direction."

Foreign Trade

This idea of encouraging but guiding "constructive" private capitalism in harness with state-owned enterprises is continuing to run head-on into a number of difficulties. The Communist leaders do not seem to realize how extensively China's present industrial and trade structure depends on foreign sources of materials, manufacturing and banking. Furthermore, they are in a hurry to make China economically self-sufficient. As a result they have attempted to put China's foreign trade on a semi-barter basis—somewhat like the prewar attempt of Germany's Hjalmar Schacht. But highly-industrialized Germany had valuable industrial products to trade for the raw materials desired and a skilled set of economists and bankers to carry on the various sleight-of-hand tricks required. China has a limited number of raw materials to export—soy beans, hog bristles, tung oil, tungsten, furs and wools—most of which can be acquired in other parts of the world. Furthermore, the Communists have some excellent theoretical economists but too few skilled bankers and international traders on their staff. While they do have a small number of industrial technicians there is no evidence as yet of large scale industrial planners, say of the caliber of Hilary Minc, who has done so much to speed Poland's industrial growth. As a result their initial attempts to channel foreign trade and expand industrial production in Tientsin have resulted in something close to stagnation in both fields at least for the present. And Shanghai, with half of China's industrial capacity and the largest chunk of its foreign trade, presents an even stiffer problem.



"They Won't Settle For Just Anti-Communism"—

Washington Post.

There are many diplomatic observers and foreign businessmen who feel that the Chinese Communists exaggerate the possibility of industrializing China with any rapidity without depending to a considerable extent on the non-Soviet world. These skeptics hold that China's economic development has been too dependent on the West to be speedily reorientated. Furthermore, they contend, the possibility of Soviet economic assistance in the shape of industrial machinery is sharply limited by prior commitments for the Soviet Union's own industrial expansion and that of Eastern Europe.

Sound Approach

At present it is far too early to judge what the Chinese Communists will be able to do with the economic resources and industrial plant they now hold. Their main effort and best personnel are concentrated on knocking out the Kuomintang. It is clear that they attach considerable weight to strengthening China's industrial power and, in the mind of most neutral observers, if not foreign businessmen, their theoretical approach is sound in outline. Thus far there have been a number of obstacles in skilled personnel and practical application. But the Chinese Communists are new to the cities and they have previously displayed a very considerable ability at comprehending and overcoming the enormous difficulties they have encountered in the field of agrarian and military problems.

Disillusionment In Japan

William Costello

(CBS Far East News Director)

Tokyo.

THE Japanese experiment in democracy is passing this year through a painful transitional period. Democratic slogans have lost none of their popularity, but the hard realities of the cold war have begun to distort their meaning.

There is a truculent new emphasis on normalcy which is not without its overtones of pathos and irresolution. Premier Yoshida brought the basic conflict into focus recently with a private memorandum to General MacArthur stating that he needed the help of Japan's most competent financiers and businessmen if the new economic stabilization program was to be carried out successfully; he asked permission to "un-purge" a long list of ultra-nationalists in the economic world, and at the top of his list were the purged heads of the Mitsui and Mitsubishi trading companies! The request was summarily rejected, but it revealed the feeling in Japanese circles that occupation authorities will sooner or later have to begin compromising with their principles in the interests of expediency. Some dollar-conscious Americans share this view.

Enjoying The Dole

In casting up a balance sheet as the occupation approaches the end of its fourth year, it can be said the worst hardships of post-war chaos have been surmounted, but the country is a long way from economic stability. Wage-price relationships both in terms of domestic and foreign values are still askew, and neither the increase of industrial production or the expansion of foreign trade has liquidated the blackmarket. The United States is spending a million dollars a day to keep Japan on a subsistence diet, and the Japanese with amiable fortitude are content to enjoy the luxury of democracy so long as the dole continues.

It is an understatement to say the zeal for political reform has largely spent itself. From the beginning the Japanese ruling classes viewed MacArthur's reforms as an Americanized version of Mussolini's castor oil treatment. They made the usual wry faces and swallowed as little as possible, hoping that occupation forces could be hustled out of the country before the submerged masses perceived any change in their way of life. The longer the occupation lasts, the more that hope dwindles. Last year, anticipating a Republican victory in the presidential election, Japanese reactionaries prepared to amend MacArthur's reforms to death. Truman's re-election upset those calculations, and so long as General MacArthur remains as Supreme Commander for the Allied Powers, it will be hazardous for

the old feudal oligarchy to reassert itself openly. No matter how skillfully their efforts are blunted by SCAP experts, it can be taken for granted that Japanese reactionaries will use any artifice or subterfuge they can invent to adulterate the program of occupation reforms.

The question of Japan's future has been profoundly influenced by the cold war and the harum-scarum development of American policy in the Far East. Until March 1947, Japan's ruling classes had been sure of winning the peace. In a spirit of servile obedience, they had undertaken to comply with all occupation directives, certain that compliance would shorten the occupation itself and thereby minimize its disruptive influence. As spokesman for their aims at the time of surrender, the East Asia Federation had warned that as soon as American forces left they should be prepared to "launch a vigorous movement to bring the people under control."

Even the ultra-nationalists in Japan were slow to grasp the implications of the Truman doctrine. In March 1947 they were carried away by General MacArthur's announcement that his job was done; and they joyously endorsed his plea for a quick and lenient peace treaty. Nearly a year elapsed before the Japanese were ready to acknowledge that prospects for a treaty had grown infinitely remote. Today, treaty speculation has subsided to a whisper; it is apparent that peace in Asia must be preceded by a general, global understanding between the United States and Russia.

Developments In China

Japan's position was further compromised by communist victories in China and the collapse of Chiang Kai-shek's regime. Prospects that a Red spearhead might dominate the Asiatic mainland made the Japanese acutely self-conscious, bereft as they were of all armaments and even of all hope of rearming themselves in this generation. The presence of American military forces became suddenly less distasteful to all but the communists. With increasing emphasis Japanese spokesmen began asserting the community of interest between themselves and the western democracies. They were convinced that Japan as the "bulwark against communism" in Asia not only would but must play host to foreign occupation forces, even at the risk of entertaining their alien democratic idiosyncracies.

Since the end of last year, a succession of events has further shaken the confidence of the conspiratorial Old Guard in Japan. Washington authorities in December issued a tough directive containing a nine-point economic blueprint. It ordered the Japanese to halt inflation, tighten

credit, balance the budget, increase exports, reduce subsidies, stabilize wages and prices, and improve the machinery for rationing food and raw materials. It threatened to cut off the dole unless Japan made a more strenuous effort toward self-sufficiency.

The reaction was what might have been expected. The public was dismayed at the prospect of continuing austerity. Political saboteurs saw another avenue for manipulation closed against them. Labor was alarmed at the implicit threat of mass layoffs and unemployment without compensating social security benefits. Big business welcomed an excuse to reduce payrolls, but at the same time saw no hope of increasing profits if American subsidies were simultaneously lowered. The Communists saw a danger that their hard-won hold over the labor movement might be shaken but made quick preparations to capitalize on social discontent which would almost certainly accompany a period of deflation.

Foreign Investment

In January, General MacArthur issued a directive liberalizing foreign investment opportunities. Although a few prewar properties were restored to foreign firms, neither Japanese nor foreign businessmen were visibly impressed; there was no wild rush to build new factories and import new machines. In some quarters, the directive was interpreted as an attempt to "make Japan safe for American capital." It was inferred that American investors using cheap Japanese labor would be able to invade hitherto inaccessible Asiatic markets. The answer of the American business man was: "Why bother? We might make millions of yen, but how could we ever convert our profits to dollars?"

In the diet election of January 23, there was a momentary ray of hope for ultra-nationalist forces. The election gave conservatives of the Democratic-Liberal party a clear majority, and increased Communist membership from four seats to thirty-five. These gains on the extreme left and right were made at the expense of the moderate parties which were reduced to political impotence. Some observers interpreted the outcome as a joint fascist-communist protest against American domination.

There was a noisy outcry over the success of the communists in polling 10 percent of the vote, but occupation officials down at the working level were more concerned with the smug reactionaries who were solidly entrenched for the first time since the end of the war. The communists might have a nuisance value, but it was the conservatives who occupied the seat of power and had the immediate means of undermining Mac-

Arthur's blueprint for democracy. However, the diet had scarcely convened before rival elements in the majority party began feuding; it was questionable whether Premier Yoshida could hold his unruly factions in line, and early predictions that Japan would have a stable government for four years were hastily revised.

The ballots had hardly been counted when two events threw the Japanese into a flat spin. One was Point 4 of President Truman's inaugural address, urging a "bold new program" for the development of backward areas. The Japanese had been proceeding on the assumption that they could become the "workshop of Asia." They had the factories, while the rest of the orient had the raw materials. It was the theory that these two were complementary which had led Japan into war for the creation of an East Asia Co-prosperity Sphere.

Major Policy Shift

American efforts to rebuild Japan's postwar economy had been interpreted as a sign that the United States was assuming foster-parenthood for the co-prosperity design. Mr. Truman's proposal was therefore considered a major shift of policy. Instead of merely encouraging a freer movement of existing production, Mr. Truman in effect proposed an increase in the total volume of production throughout Asia. Under such a plan, Japan would lose its primacy as an industrial and therefore as a potential military power.

As if that were not a sufficient jolt, along came Secretary of the Army Kenneth Royall with the intimation that Japan might be a strategic liability in wartime. The Japanese had felt secure in the doctrine that they were the bulwark against communism in Asia, that even as a defeated and occupied enemy territory they had become indispensable allies of the western democracies. They had gone to considerable pains to nurture this belief in Washington because it was intended as the chief weapon in their political arsenal. With it they intended to play the Soviet Union off against the United States, pointing out the obvious economic advantages of the Soviet orbit any time the United States tried shutting off the spigots of charity.

This incipient design for blackmail was undermined at a stroke by the Royall theses. Mr. Royall simply pointed out that in the air age military striking power is measured in long-range bombers. Huge land armies are ineffectual in the rice paddles of the orient, and big population centers constitute not a military asset, but a problem in logistics. To be useful as an ally, Japan would have to be supplied with food, fuel and raw materials, a major commitment in naval and merchant tonnage. On the other hand, small, sparsely populated areas like Alaska and Okinawa could provide ample space for airstrips without involving heavy naval commitments. Japan would probably be safe from invasion in wartime because it would offer

the same disadvantages to a potential enemy as to the United States.

Thus, in a few weeks, Japan's position in world affairs underwent a radical transformation. As an incidental victim of the cold war, it could not get rid of the occupation. Under Washington's nine-point stabilization program, Japan could look forward to nothing but austerity and hard work. If Truman's bold new program were carried out, Japan would no longer be the only, and perhaps not even the principal, industrial power in Asia. If the Royall thesis of air power were sustained (and the 70-group air force suggests it will be), then Japan had no military bargaining power. If communism were to dominate China, Japan could not permit the withdrawal of American defense forces. All this had disastrous implications for the hidebound heirs of Japanese militarism.

This same succession of events had other implications for occupation authorities. General MacArthur has frequently pointed out the achievements of the occupation—his success in disarming Japan, in writing a blueprint for democratic forms of government, and in preventing wholesale suffering among the people while the nation's economy was in process of rebuilding. On that optimistic premise, except for the cold war, the pressure of American public opinion might long ago have compelled a withdrawal. Nevertheless, in the lower echelons of MacArthur's headquarters, it is generally agreed we have not even begun to fulfill the supreme commander's original objective: "to destroy a system, to exact a toll for past misdeeds, and to create a nation of people who will forever lead a democratic way of life." Nor has the occupation solved the basic problem of enabling 80 million people to live in four islands capable of sustaining 50 million comfortably.

No Overnight Change

By now the democratization problem has been recognized for what it is—a long-range educational project. The first blush of optimism has faded; no one thinks now that a new Constitution, a few institutional changes, a purge, and some miscellaneous legislation will change overnight the basic social patterns of a nation.

The problem of restoring Japan's economy assumed even more staggering proportions. With the loss of its overseas empire in World War II, Japan is poor and likely to remain so. It lacks coal, iron, oil—the essentials of modern industry. It produces barely 85 percent of its food supply. It produces no cotton nor wool, and is short of timber and chemicals for the manufacture of substitute textiles.

Nevertheless, with 80,000,000 industrious citizens, Japan can hardly be called bankrupt. Since the end of the war, factories have been rebuilt and converted. New industries have been started and some old ones expanded. By the end of 1948, production had reached 61 percent

of the 1930-34 average, despite passive sabotage from some embittered zaibatsu quarters and despite the bumbling ineptitude of SCAP's bureaucracy. Exports showed a low but steady increase, but economists estimated Japan's exports would have to increase sevenfold over the 1948 volume before the country could expect to be self-sustaining.

General MacArthur admitted in March 1947 that a military occupation was not qualified to run Japan's national economy. Nevertheless, after two years nothing has been done to change the administrative machinery, and only one major policy decision has been produced for MacArthur's guidance. The United States sees the need of integrating Japan's economy with the rest of Asia; it recognized that the cold war inhibits trade which has become the lifeblood of these over-populated islands, but so great is the preoccupation with European problems that no energy is left for incisive policy planning in Asia.

MacArthur's Position

General MacArthur's position is ambiguous. It is recognized that he cannot be replaced without the consent of Russia and the Far Eastern Commission, and even if a change were feasible it might not be advisable. It would be hard to find anyone with his prestige—and prestige is a powerful factor in relations with the Japanese government. But however potent MacArthur may be as a figurehead, his real authority has been steadily whittled away. At the start of the occupation he enjoyed a very large degree of autonomy, and he pushed his program with only nominal supervision from Washington. Major policy now is dictated by the army and state department, along with the Far Eastern Commission. Directives go out over the supreme commander's signature, even though he may disagree with them, and he becomes the logical scapegoat if things go wrong. MacArthur is known to feel bitter over this turn of events. Recently he told a confidant that in 1942 when he was defending Bataan, the "boys in the back room in Washington had written him off"—and he feels today that Washington authorities are again "writing him off."

The supreme commander therefore finds himself in an awkward dilemma. He is under orders from Washington to carry out an austerity program with which he has little sympathy; it is bound to cause dislocations and unrest. If he executes his orders faithfully, it will be at the expense of his popularity and perhaps his reputation. If he chooses to dodge responsibility for the program, he must permit the appointment of an administrative deputy, presumably a civilian, and relinquish some part of his own authority. Neither horn of the dilemma would be attractive to a soldier of MacArthur's temperament. Because of that, the course of economic recovery in Japan may have to make up in floundering tenacity what it lacks in inspiration.

*South China:***Canton Watches The North**

— JULIAN SCHUMAN —

Canton, April 17.

THE main question in south China today is, "What have the Nationalists done to make this area capable of withstanding the Communists?" Most people here turn their heads and say "██████."

In Canton, capital of Kwangtung province and largest city in south China, the prevailing opinion as expressed by an American businessman is that the only thing standing between this city and the Communists is a "lot of real ██████." Although the Communists are more than 1,000 miles away, the feeling of ██████ which existed in north China months before the Communists came and which exists in cities such as ██████ today, is taking hold. Except for some high officials and a scattered number of rich Chinese who fled here from the north, most of the population can do little else but remain and wait for the ██████.

Meanwhile, the entire province of Kwangtung is faced with two main problems. China's all pervading inflation is no exception here and prices continue to shoot up while the standard of living goes down. Also,

through out the province ██████ and ██████ activities continues to increase. Passenger ships making the overnight trip from Canton to Hongkong are required to pay for protection or run the risk of being sunk. A few weeks ago a British owned steamer, "Miss Orient," was blown up by a mine operated from the shore because of the company's refusal to pay extortion money. Scores of drowned and injured passengers resulted when the vessel turned over on its side after being hit. On other occasions ships plying this route are fired on from shore and injuries and deaths for passengers are the result. In Canton extortionists have been getting bolder. Within the past two weeks two of the city's three largest movie houses have been bombed because they refused to pay off and several patrons were killed and injured.

In addition to bandits, the Nationalists are faced with growing numbers of organized ██████ bands in Kwangtung. Various estimates have been given of their strength, and figures run between 10,000 and 20,000. While in many cases the line between bandits and

Communists is fuzzy, there is little doubt that a difference does exist. The Communists are directed from the outside and reportedly receive funds from Hongkong. In some cases the Communists have declared their intention of driving bandits from areas they control, according to an American engineer who was captured by them and held for six weeks not far from Canton. He reported that some of the leaders were overseas Chinese and spoke perfect English. ██████ controlled villages exist not much more than 10 miles from Canton and one of the greatest fears of the Nationalists is that as the ██████ become more entrenched in the province they will be able to organize much of the bandit movement.

Canton is China's largest southern port and the majority of its trade is with nearby Hongkong. With a constantly inflated Chinese currency Hongkong money is openly used. One of the principal pursuits for this one time rich port is smuggling. The Customs Commission has estimated that approximately 60 percent of the imports in Canton have entered illegally. Canton also is the port of entry for smuggled goods which continues on into other parts of China. Before the Chinese Communists captured north China ports such as Tientsin, goods from Hongkong were smuggled through Canton and then up to the Yangtze river port of Hankow and on to Communist China. Although there had been much talk

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of large-scale moving of factories from Shanghai to Canton little has been done. Canton has a power shortage which makes it impossible to operate additional industry. Most of the rich Chinese from the north are merely biding their time here and are not engaged in any business activity.

While there is no organized labor or student movement of any size usually found in large Chinese cities, 126 professors of the government's Sun Yat-sen University in Canton recently went on strike for higher wages. This was the first such strike since the end of the Japanese war and was a protest over pay which equals about six American dollars a month. The contrast between the Government's inability to put down [redacted] and its ability to keep the students quiet has been laid partially to the many secret [redacted] now in Canton.

Militarily, Kwangtung province is typical of South China. Despite the assertions of being able to defend this area against the Communists, even Nationalist military leaders privately admit the [redacted] of such a project. The Kuomintang has about 100,000 troops in Kwangtung and a good deal of its strength is on [redacted]. A portion of its troops are only trainees. Small scale rebellions by [redacted] troops have been witnessed recently and foreign military observers point out that some areas to the southeast as well as Hainan island, off the coast of Kwangtung, are [redacted] by the Communists.

From the Yangtze river in the north the easiest approach to Canton and south China is along the Hankow-Canton railway. Some feeling prevails that the only delay to the Communists immediately acting out along this route is the desire not to destroy the rice crop now being planted in Hunan province, through which this railroad runs. It is estimated that the crop will be harvested in about three months and to destroy it would entail additional hardship on Kwangtung province which annually is faced with a food deficit and imports close to 500,000 tons of rice a year. Whether this will affect the Red army timetable is speculative, but that the Communists [redacted] in south China they want is considered here to be very close to the truth.

However, there are other opinions which, while acknowledging some validity to this theory, go on to disagree. It is said that a rapid Communist advance along the Canton-Hankow railroad in the immediate future actually would not greatly affect the rice crop since the Red army would have things pretty much [redacted] considering the weakness of the [redacted]. Another opinion advanced is that the Communist military policy for south China will be to move as rapidly as possible towards grabbing off big cities such as Canton. This school believes that the countryside in south China is so [redacted] that once the cities go, the surrounding areas [redacted] up almost overnight.

The Week's Business

DURING the week under review, Shanghai's financial condition was in a mess and all business came to a standstill. The general situation was considered far worse than those eventful days just prior to the outbreak of the Sino-Japanese War on August 13, 1937.

The whole trouble started when the Central Bank of China found it impossible to supply the necessary cash notes for the Shanghai populace. Suddenly on April 21, when the peace negotiations broke off, financial quotations and commodity prices skyrocketed. Prices continued to rise when it was reported that Communist troops were making rapid advances along the Nanking-Shanghai Railway from Chinkiang and Kiangyin, following the occupation of Nanking.

In an attempt to check the price increase, the Central Bank dumped large amounts of gold bars on the local market, thus creating a tight money situation, and the interest rate went up as high as 65 percent per day. This situation immediately brought a stop to business transactions. For several days in the early part of the week, businessmen were engaged only in trying to settle their accounts. For instance, many buyers who found it impossible to pay out money because of the tight money situation, paid the sellers gold bars instead of cash at an arbitrary rate of GY300,000,000 per bar of 10 ounces.

Meanwhile, because of the sudden change in the political situation, commercial banks refused to advance loans. These banks are now engaged in calling back all outstanding loans, so as to protect themselves against any further political change in the city.

The fear that the Central Bank may move away suddenly has created a general nervousness in the financial market. Many commercial firms and shops have refused to accept bank orders issued by either Government or commercial banks. Those who accept these bank orders sell their goods at a price usually 50 to 100 percent higher than the price quoted for cash. For instance, the quotation for silver dollars on April 27 was around GY1,000,000 in cash but GY1,800,000 in bank orders.

While there were few transactions in gold and US dollar notes, people continued to rush to buy silver dollars, pushing up the price to an unreasonable height. Although the official rate for one ounce of Gold is 100 silver dollars or 50 US dollars, it brought only 30 silver dollars on April 27, while at the same time it was worth 110 silver dollars in Tientsin and Peiping.

The demand for silver dollars is of course due to the unstable conditions. Even the aviation companies and railway offices are now refusing to accept Gold Yuan notes for pay-

ment of passenger fares, and insist on receiving silver dollars.

As to commodities, practically no business was done, aside from foodstuffs. The price of rice was no longer quoted in Gold Yuan but in silver dollars, and it took from six to eight silver dollars to buy one picul of rice. In the suburbs, however, it was reported that because of the general evacuation order, farmers were hurriedly selling the foodstuffs they had stored, and the price was said to be as low as four silver dollars for one picul of rice. In terms of Gold Yuan, the price was therefore GY4,000,000 in cash or GY7,000,000 in bank orders in the suburbs for one picul of rice and around GY7,000,000 in cash or GY13,000,000 in bank orders for one picul of rice in Shanghai.

The money situation turned slightly easy on April 26 when the Central Bank paid out GY100,000,000,000 in cash notes for payment of "emergency allowances" to the staff members of Government offices and enterprises. These cash notes pushed up the prices, especially silver dollars. However, this does not mean that the problem of the cash shortage has been relieved. The interest rate, however, dropped from 65 to 15 or 20 percent per day, which was considered reasonable.

The Bank of China was reported to have paid 80 silver dollars, one picul of rice, 16 cans of canned food, and a small quantity of peanut oil to every staff member. However, another Government bank paid as little as GY500,000 in bank orders to each clerk. Because of these emergency allowance payments by the Government offices and banks, staff members and workers of industrial firms and commercial establishments have demanded similar allowances.

The general situation will be further aggravated by the end of this week when the new cost of living index is to be issued. It has been estimated that the index will be over 100,000 against that of 15,140 for April 15, and it will be difficult for managements to obtain cash notes or even bank orders to make the payments.

The following table gives the quotations of some of the leading commodities traded in Shanghai during the past week:

	April 20 GY	April 27 GY
Gold	10,420,000	50,000,000
US Dollar ..	360,000	1,200,000
Clearance ..		
Certificate ..	175,000	205,000
Silver Dollar ..	295,000	1,350,000
20's Yarn ..	48,000,000	2.4 ozs. gold
Rice	1,750,000	4.4 silver \$
Wing On Textile	145	297.5

NEWS OF THE WEEK

Communist Armies Cross Yangtze Occupy Nanking And Drive South

REJECTION of the Communists' Internal Peace Agreement by the Nationalist Government led to an immediate breakdown of the peace talks between the Government and the Communists in Peiping. China's civil war, after a brief lull for three months, was renewed with greater intensity.

As a direct reply to the Nationalists' rejection, Mao Tze-tung and Chu Teh in a general order of the day called upon the Communist field armies to cross the Yangtze River under this triple military strategy:

- 1) Eliminate all reactionary forces under the KMT;
- 2) Arrest all war criminals;
- 3) Negotiate peace with the local authorities in Nationalist China who are willing to accept the Communist terms.

Communist units then started crossing the Yangtze between Anking and Wuhu in Anhwei province. Similar crossings were made on April 22 between Chinkiang and Kiangyin, in Kiangsu province, rapidly cutting off the vital Nanking-Shanghai railway. Nationalist resistance was ineffective and three days after these crossings, the Communists had succeeded in capturing Nanking, the national capital; Chinkiang, the capital of the Kiangsu Provincial Government; Kiangyin, the important Nationalist naval base; Anking, the capital of Anhwei province; Wuhu, the well-known rice-producing center; Wusih, key industrial center in Kiangsu. The Nanking-Shanghai Railway has already been put out of service and Shanghai is standing in immediate danger of being bottled up by the Communists.

In Shansi, Taiyuan, the provincial capital, fell on April 23 to the Reds, thus ending the long siege of the heavily-fortified and formidably-defended city. General Yen Hsi-shan, governor of Shansi since the founding of the Chinese Republic 38 years ago, fled to Taiwan with his family.

Red Blitz

THE sensational Communist thrusts and the dramatic collapse of the Nationalists' defense of the Yangtze River came as a big surprise to the general public. The rapid march of the Reds, according to some military observers, presented a classical example of blitz, Chinese style. This kind of lightning was all the more remarkable and significant because the Reds lack highly mechanized units in the modern sense of the term and have to walk to conduct their blitz.

and the lack of a again proved disastrous to the Government defenders. According to reports in the Chinese press, the Communists captured Kiangyin without much fighting thanks to the defection of the fort commander and his two regiments of garrison troops. A certain army commander was reported to have surrendered, thus enabling the Communists to take Pukow.

Nationalist Stand

IMEDIATELY after the launching of the Communist offensive, Acting President Li Tsung-jen and Premier Ho Ying-chin flew to Hangchow to confer with Generalissimo Chiang Kai-shek. Premier Ho Ying-chin was appointed concurrently minister of national defense and commander-in-chief of all Government forces to direct the military operations against the Communists. Other decisions reached at the Hangchow included the following:

- 1) The Nationalist Government will fight to the bitter end for the people's liberty and for the independence of the nation.
- 2) All democratic and liberal elements are to be united to continue the struggle against the Communists.
- 3) Every action will be taken to achieve unity within the Kuomintang and to coordinate the Government and the party.

After the Hangchow conference, Generalissimo Chiang Kai-shek left for an undisclosed destination—generally supposed to be Amoy, Acting President Li Tsung-jen for Kweilin, his home town in Kwangsi, and Premier Ho Ying-chin for Canton. Acting President Li is said to be taking a brief rest in Kweilin, while the government and KMT leaders in Canton have decided to send General Wu Te-chen to Kweilin to persuade the acting president to proceed to Canton to take charge of state affairs. According to the *China Times*, Mr. Chiu Chang-wei, trusted adviser to Li Tsung-jen, denied in Canton that Kwangsi province is prepared to conclude a separate peace with the Communists.

Reds Enter Nanking

COMMENTING on the loss of the capital, KMT leader Liang Hanchao, former minister of information, told a gathering of KMT members that the abandonment of Nanking was a military setback, but added that the evacuation was strategic. Impartial observers are inclined to

think that this strategic evacuation will have far-reaching political, military and diplomatic consequences as evidenced by the continued stay of foreign ambassadors in the capital under Communist occupation.

Communist entry into Nanking was described in a *UP* story dated 24, which is quoted in part as follows:

"Nanking today was a city of excitement in marked contrast to the state of anarchy yesterday as an endless stream of Communist troops flows through the abandoned Nationalist capital and pass its main streets flanked by thick crowds. The crowds that turned out today are said to be the largest yet seen in Nanking. Estimates of the total ran as high as 200,000. . . . One marked difference in the attitude of the populace towards the Nationalists and Communists is this: Yesterday the people seemed to the Nationalists and tried to. But today the people close in to watch the Communists. Unlike the Communists make way for passengers and passing cars. . . . Their equipment is the same as that of the Nationalists, they showed high spirits, high morale and excellent discipline."

Red Policy

IMEDIATELY after Communist occupation of Nanking, General Chen Yi, commander of the third army, posted a proclamation on the streets of city, announcing a seven-point administration policy. The seven points are:

1. People's lives and property will be protected but the people should observe public order.
2. Private industrial and commercial property will be protected.
3. Bureaucratic capital belonging to "Rebel Chiang Kai-shek and Company" will be confiscated.
4. Public utilities, schools and churches, including all personnel therein, will be protected.
5. Hoarding arms and ammunition is prohibited.
6. Foreigners, including diplomatic personnel, with the exception of those who indulge in law violating or subversive activities, will be protected.
7. Communist soldiers are not allowed to obtain anything from the people without payment.

It was further reported that Communist soldiers entering Nanking carried orders to arrest all war criminals.

Defense Of Shanghai

NOW that the Communists have gained control of the Nanking-Shanghai railway, the defense of Shanghai arouses much interesting speculation. Government leaders reiterated the full determination of the

Government to defend Shanghai to the last man. Premier Ho Ying-chin, General Tang En-po and General Chen Liang, secretary general of the Shanghai Municipal Government, joined in assuring the public that there is no need to worry about the fate of Shanghai and that the Government armies are confident of their ability to repulse any Red attacks.

A *Reuter* story dated April 24 threw some sidelights on the future of Shanghai. It said:

"Premier Ho Ying-chin told civic leaders at his home of his determination to defend Shanghai. He appealed to the people to cooperate closely with the authorities who, he said, had taken all measures to strengthen the city's defenses. On the other hand, some leading residents are reported to be attempting to dissuade the garrison commander, General Chen Tai-ching, from his intention of defending the city to the last man because of the loss of life and destruction a determined defense might involve. Observers, however, are taking the promises of defense very seriously, following the example of many Nationalists who made similar promises in the northern cities. Reports still persisted that certain influential businessmen were planning to negotiate a local peace settlement for Shanghai at the appropriate moment. The fact that the Executive Yuan has ordered that all leading officials of the Yuan in Shanghai must complete their evacuation to Canton within two days is interpreted as reflecting official

Some observers see significance in Premier Ho Ying-chin's trip to Canton. The *Associated Press* reported April 25 from Canton:

"Close political observers were somewhat surprised by the return of Ho to Canton, because, as commander-in-chief of the land, sea and air forces, he is expected to remain at the front, but they explained 'apparently politics in the rear was equally important.'"

Reds And Foreign Powers

NOW that the Communist armies have occupied the capital, the continued presence of foreign diplomatic missions in Nanking has raised a series of delicate problems. What will be the relations between the Chinese Communists and foreign powers? Are the powers prepared to grant de facto recognition to the Communist regime? These are some of the questions that are being discussed.

The External Affairs Ministry of the Indian Government announced April 26 that India had decided to grant de facto recognition to the local Chinese Communist authorities in Nanking. The announcement said that recognition of the new Communist regime for China is a "major question which will be taken up in due course."

The statement was issued in denial of local reports that India already

was negotiating recognition of the entire Communist government in China. It said: "The decision which India, in common with other diplomatic missions in Nanking, has taken is to remain in Nanking for the time being and forward a list of personnel and property of the Embassy to the local authorities in Nanking. This amounts to nothing more than establishment of de facto relations with the local authorities. Recognition of the new government in China is a major question which will be taken up in due course."

It is an open secret that the continued stay of foreign ambassadors in Nanking was designed to try, if possible, to establish some kind of "working relations" with the Communists. The *Associated Press* reported from London: "British Ambassador Sir Ralph Stevenson will try to re-establish effective working relations with the Chinese Communist leaders now in the former Nationalist capital of Nanking."

Meanwhile, reports from the United States indicated that Ambassador Stuart's stay in Nanking had for its object to find out what attitude the Chinese Communists are going to assume toward foreign powers and particularly the United States.

Regrettable Incident

HOWEVER, the occurrence of two "regrettable incidents" involving the Chinese Communists and foreign powers seem to have cast gloom over the prospects for an early establishment of formal diplomatic relations.

When the Communist armies were crossing the Yangtze River near Kiangyin, Kiangsu, four British warships took part in a gun battle with Communist batteries on the north bank, resulting in heavy casualties on both sides. The British claimed that their gunboats and cruisers were fired upon by the Communists, but the Communists charged that the British ships took part in an artillery battle between the Communists and the Government gunboats. The Communists demanded an apology and compensation.

The British did not explain why they should have sent gunboats to the fighting zone. As everyone knows, Kiangyin was an important Nationalist naval base. So the presence of British warships there tended to arouse suspicion and misunderstanding. According to the press, the British Government wants to keep calm and prevent this incident from developing into serious proportions.

But, on the other hand, London is sending more ships to reinforce the British fleet in China waters. It is understood that two aircraft carriers and a group of submarines will be sent to Hongkong to reinforce the two cruisers, eight destroyers and four sloops, already stationed at Hongkong. It is stressed that the warships are being sent "to safeguard Britain's communications with her Hongkong colony."

No More Gunboat Policy

COMMENTING on the gun battle with the British warships, the Communist radio in Peiping warned that the time for gunboat diplomacy was over and that new China under Communist control would not tolerate any attempt to revive this old-fashioned imperialistic policy. The Reds recalled the bombardment of Wansien and Nanking by British and American gunboats and served notice that nothing of this kind would prevent them from carrying through the Chinese revolution.

The Communists significantly pointed out that if the foreign powers were really interested in establishing relations with Communist China on the basis of equality, foreign armed forces must be withdrawn as a prerequisite.

As an indirect reply, the British Admiralty said British ships have been "at Nanking and Shanghai solely to provide assistance for commonwealth nationals in case of breakdown of law and order during any change-over of authority. As soon as circumstances permit it is intended to withdraw British ships and continue normal procedure with regard to visits to foreign ports."

Meanwhile, as a precautionary measure, American warships in Shanghai are reported to be planning to move from Shanghai to the lower Yangtze to prevent incidents.

Another incident involved American Ambassador J. Leighton Stuart. According to an official report released for publication by the State Department, 12 armed Communist soldiers visited the ambassador's residence early in the morning of April 25 and entered his bed room, inspecting its contents. They then left the house and the compound without having removed anything. They reportedly told one of the servants that the ambassador should not leave the compound but this was not conveyed to the ambassador or any member of his official staff.

A vigorous protest is said to have been filed with the local Communist authorities in Nanking. Meanwhile, it is reported that before the Communist occupation of Nanking, Ambassador Stuart had received instructions that when he considers it advisable, after assuring himself regarding the safety and welfare of the American community in the Yangtze valley area, he is to come to Washington for consultation.

Censorship

Owing to the decision of the authorities to impose censorship on all Chinese and English-language publications in Shanghai, certain deletions have been made in this issue of the *Review* so as to comply with the regulations. This practice will continue so long as censorship is in force—Editor.

Chinese Magazine Roundup

Masses Weekly



IN view of press reports to the effect that the Chinese Nationalists have informally approached the United States Government about taking appropriate action to prevent Taiwan from falling under Communist control, an article in the Communist *Masses Weekly* of March 24, 1949 is of timely interest, defining as it does the attitude of the Chinese Communists on the Taiwan problem.

The magazine charges that the United States has deep designs on Taiwan and that the Chinese Communists are fully determined to liberate the island.

"American imperialism is proceeding with the task of encroaching on Taiwan, China's territorial possession," the article says. "In December, 1948, when the Kuomintang government received its [redacted] the *United Press* began to report on US preparations to grab Taiwan directly. The agency stated that the US National Security Committee had recommended to President Truman that any price necessary must be paid for the building of defenses in Taiwan and Hainan Island. Since then, American aggressive activities in Taiwan have been intensified in the military, political, economic and diplomatic fields.

"The aggressive plans of the Economic Cooperation Administration in Taiwan have been greatly extended, and American correspondents have even reported that Taiwan's economy would be incorporated into the economy of Japan. Admiral Badger, Commander-in-Chief of the US West Pacific Fleet, recently visited Taiwan and 'inspected' Kaohsiung, Keelung and other naval and air bases. General MacArthur recently, through the Taiwan Chi-

nese traitor and salve of the Americans Liu Wen-yi and others, issued a ridiculous cry urging the 'independence of Taiwan'. A scheme is also brewing to present the so-called Taiwan independence problem to the United Nations to be preceded with the appearance of Liu Wen-yi as the so-called 'people's representative' of Taiwan before the Far Eastern Commission. And MacArthur has even officially issued the ridiculous statement that, pending the conclusion of the peace treaty with Japan, Taiwan is still under the jurisdiction of SCAP.

"The objective of all these machinations of American imperialism is the annexation of Taiwan. The end is approaching to the era of colonial rule of China by US imperialism

Accordingly, American imperialism is now anxious to grab a piece of territorial China, i.e. Taiwan, to be used as a spring-board to China in the future war of aggression against continental China.

"At the same time, the [redacted] led by Chiang Kai-shek, are dreaming of [redacted]

and are planning to [redacted] Taiwan Governor Chen Cheng indicated, after the 'retirement' of Chiang Kai-shek, that, if necessary, Taiwan would be declared 'independent.' This means that Taiwan would be incorporated in effect into the US colonial empire."

* * *

Only A Day-Dream

BUT the United States and the [redacted] can never hope to put through their plans regarding Taiwan because both the Chinese and Taiwanese are resolved to [redacted] the island, the journal concludes.

"US imperialism is only indulging in a day-dream if it plans the forceful occupation and annexation of Taiwan as the Japanese did in 1895," the article says. "The people of Taiwan today are not those of 54 years ago. Even then, during the period of Japanese occupation, the people of Taiwan staged scores of armed revolts. And since Taiwan was restored to continental China, the freely expressed views of the people of the island are entirely at variance with the cries issued by American agent Liu Wen-yi and other running dogs who ask for Taiwan to be separated from China and incorporated into the US empire.

"The people of Taiwan have engaged themselves in a heroic struggle against US imperialism and the rule of enslavement [redacted]

In protest against US imperialistic aggression in China, on January 9, 1947, more than 10,000 students in Taipei staged a great demonstration and loudly demanded that 'US Forces Clear Out of China.' In opposition to the [redacted]

two years ago the people of Taiwan launched the February 28 movement which led to the armed revolt of the people throughout the island. This struggle put up by the people of Taiwan has the same objective as the struggle put up by the people in all provinces of China for [redacted] The common objective is the overthrow of [redacted]

to be followed by the creation of an [redacted]

Accordingly, the so-called Taiwan Independence Movement of Liu Wen-yi is a gross insult to the Taiwan people.

"The people of China (including the people of Taiwan) will absolutely not tolerate any illegal aggression by US imperialism either in Taiwan or in any other part of China's territory. In the same way, they will absolutely not tolerate the [redacted]

The mission of the [redacted] is the [redacted] of all China, which means the [redacted] of Taiwan, Hainan Island, and every last inch of China's territorial domain. Because the China situation has recently undergone a great change, the [redacted] of the Chinese people will be fully achieved within a short time. The Chinese people must [redacted] Taiwan, for they have pledged to [redacted] the whole of China."

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US Magazine Roundup

Harper's

JOHN W. Vandercook discusses British socialism in an article entitled, "Good News Out of England," published in the March, 1949 *Harper's*.

Mr. Vandercook says a "revolution" has taken place in England. "If a revolution does not fulfill the requirements of headline writers unless there is shooting, the 'r' may be left off. But call it what you like," says Vandercook, "it has happened."

"The central fact is that in Great Britain, since the war, the standard of living for the great majority has risen to the highest level reached since the beginning of the Industrial Revolution, more than a century ago. In a geographic and economic situation as difficult as that of a city besieged, an antique land (with an undeserved reputation for conservatism) has stolidly undertaken the great task of seeking to eliminate, for everyone, all of the baser forms of insecurity. With an impatience as wonderful as its unreadiness, the same nation has dedicated itself to an attempt to distribute the gifts, the knowledge, and the techniques of healing as even-handedly as it distributes bread."

"Success in these three sectors has not been complete, of course; it has been so substantial as to constitute one of the great triumphs of our time. Returning pessimists, who have moved only in the best society, are accurate in reporting that there has been, for many, a marked decline in prosperity. What has been little noted is that vastly many more are more prosperous than ever before in their lives. Under the rule of austerity few Britons eat well, but except for a nagging deficiency of fats and sugar, all eat enough. In the first three months of 1948 the death rate for England and Wales was the lowest ever recorded. And the birth rate is climbing like a released balloon."

The author explains that what has so profoundly altered England has been the relative enrichment of the poor; workers' wages have increased greatly so that at least half the families in the British Isles are materially better off than they were a few years ago.

Vandercook goes on to discuss Britain's nationalization program: "The accomplishment of British Socialism in the past three years which has been most discussed in the American press has been the nationalization program.... But in England one discovers that those extensions of the state's authority into realms we still regard as part of the sacred province of free enterprise have all but ceased to be live issues. With a sensation which

affects many as would the glide of an ice cube down the spinal column, the Conservatives have learned the bitter truth that in England the great majority of citizens simply don't care. Try as you will, you cannot get the vote out, or man a barricade, to reinstate embattled bank presidents....

"What John Bull does discuss is how the railroads and the gas works are run. If he decides they are being run badly he will become very audible indeed. But the mere fact of change of ownership does not disturb him. His sense of justice has been satisfied by knowing that none of the properties was taken without compensation."

"What does dominate thought and conversation," says Vandercook, "is the working of the National Insurance Scheme, brought to its final cradle-to-grave fruition on July 5, 1948. It would be hard to think of any act of legislation by an orderly, peaceful, and duly-elected government of more far-reaching effect."

The author explains how the benefits of this program have won over the people:

"There are allowances for sickness, injury, pre-natal care, old age, and unemployment; for widows, widowed mothers, and young children. No sum is lavish. The allowance, for example, for a household consisting of a temporarily disabled man, a wife who is not working, and their two young children, is US\$10.60 a week."

"Britain," Vandercook concludes

"is infinitely far from being an earthly paradise. Red tape can weave a sticky web. The slick operator and the fixer we know so well have already put in their appearance. The mighty question of 'where will all the money come from' has not been satisfactorily answered. Individual insurance payments fall millions of pounds short of meeting the bills."

"But—the human plant is being put in order. The theory behind the Labor policy is that people, above all else, constitute the national wealth."

US News & World Report

THE March 18 issue of *US News & World Report* reports that labor in America is not getting as much as it expected from its victory in the recent elections. The article, entitled "Lean Pay-Off For Labor Votes," says:

"Labor unions, already deep in politics, are finding that they must go even deeper if they are to get what they want from Government."

"Unions went into politics under the New Deal to get laws that would increase their strength. When Congress, in recent years, started to take away some of the powers it had granted, organized labor redoubled its political activity. The unions helped to win what they considered an impressive labor victory at the polls last November, but that victory is not bringing the results expected."

"Instead, things have been going against the unions in the Democratic Congress that labor helped elect. The Supreme Court and the National Labor Relations Board have ruled against them. There is fear among union leaders that this trend will spread to State legislatures. As a result, political activity of labor groups is to be stepped up in an effort to present their point of view."

Another headache for labor is the Supreme Court which the article says is showing no signs of following the election returns. Instead the Supreme Court handed labor, three blows in its recent rulings that "closed shops" and other forms of union security can be outlawed by the States.

"State regulations imposed upon unions can go further than the federal law, if the States so desire," continues the article. "Controls over strikes of certain types may be adopted by State legislatures."

"A federal barrier against regulation of the 'closed shop' by States is being sought by the unions."

"Union leaders still have a long way to go in a political way," the article concludes "if they are to stop the Federal Government and the States from restricting their activities."



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What Chinese Papers Say

THE importance and significance of defending Shanghai, China's nerve center of industry and commerce, was played up by all of the Government-controlled papers, while the dramatic fall of the capital, Nanking, to Communist hands was viewed as a tragedy likely to have far-reaching political, military and diplomatic consequences.

Defense Of Shanghai

THE *Chung Yang Jih Pao*, official organ of the Kuomintang, explained the reason why Shanghai must be defended. It stated among other things:

"Shanghai is the fortress of Southeast China, and is the focussing point of international attention. The spearhead of the Communist Army in Kiangnan is heading toward the 'throat' of the Lake Tai, and it seems that Communists will effect an encirclement of the Kashing-Hangchow area. The Government has massed a large force in the southern districts of Kiangsu, and will no doubt be in an advantageous position to meet the Communists forces in a fight on the Kiangsu-Chekiang-Anhwei borders. Shanghai is the pivotal point of this area, and thus holds an important

position in the counter-offensive that is due to be launched. Viewed from all angles, therefore, Shanghai must be defended, and the preservation of Shanghai depends on the consolidation of the defense of its perimeter areas."

The paper called upon the people of Shanghai to cooperate with the government in fighting the Communists, because the present war is a war "for the defense of freedom and democracy."

The *Tung Nan Jih Pao* stressed that in defending Shanghai it is of tremendous importance to maintain social security and public order by taking the following steps:

"In the first place, we consider that the local authorities and the people of Shanghai must pay the greatest attention to the protection of productive enterprises.

"In the second place, Shanghai's population is over-concentrated. We hope the military units stationed here and the local militia and the police will effect the closest coordination among themselves and strengthen the *pao chia* organization. If these three quarters will pool their forces and cooperate fully, there will be no difficulty in maintaining public security.

"In the third place, the financial authorities must realize that the

currency note issue cannot be further increased at random. Sometime ago, there was a proposal for the issue of a local currency for Shanghai. If this proposal was made with the objective of preventing currency inflation, we consider that the same aim will be realized if the financial authorities will hereafter indulge in no further acts that tend to disturb the financial situation as it is."

Fall Of Nanking

THE *Yi Shih Pao*, mouthpiece of the Catholic Church, thought that the fall of the Nationalist capital, Nanking, is bound to produce serious consequences both at home and broad. The paper said:

"Threatened with a pioneer offensive, Nanking had to be evacuated by the Government. Though the gain or loss of a single city or a single locality does not necessarily affect the whole outcome of the war, it was nevertheless unthinkable that the capital, the political center of the nation, should have been so lightly given over to the Communists. We cannot deny the great significance of the development, politically, militarily, or internationally."

In the paper's view the fall of Nanking was the cumulative and inevitable result of corruption and inefficiency.

"Inefficiency breeds deterioration, and deterioration breeds corruption," the editorial said. "With inefficiency, deterioration and corruption all playing a hand in the scheme of things, everything will be lost. Let us illustrate our point with the situation obtaining in the Army. The ranks are given the poorest treatment imaginable. The minor officers receive only a few tens of thousands of gold yuan a month. But most of the higher officers live in luxury and surround themselves with beautiful wives and concubines, own gold bars and limousines, and are given to a life of debauchery. Their life is a striking contrast to that of the lower ranks. Added to this is the fact that among the higher ranks there are various groups and cliques, each pursuing their different ends. Their corruption and inefficiency have been greatly detested by their subordinates, and faith in them has long been lost so that defections have been brought about easily.

"In lamenting over the fate of Nanking, we do not express sorrow merely over the loss of a single city. But rather we feel that Nanking provides a good example in the development of the current war situation. In lamenting over the fate of Nanking, we are lamenting over inefficiency, deterioration, and corruption. We are not only lamenting over the success or failure of a single political party, but rather over the sad fact that history should repeat itself."

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What US Papers Say

CHINA once again was a major editorial subject in the American press. The renewal of the civil war, the Yangtze river incident involving the British warships, and Secretary of State Acheson's opposition to large-scale aid to China all were subjects for editorial comment.

Yangtze Attack

THE Communist military offensive across the Yangtze was seen as an attempt to hurdle the last bulwark opposing Communist domination of China, while the shelling of the British ships on the river was regarded in an unfavorable light. *The New York Times* in a single editorial took up both points, saying:

"Within a few hours after the rejection of their ultimatum demanding the unconditional surrender of the Chinese National Government, the Communists unleashed what looks like an all-out offensive against Nanking and the whole Yangtze River line....

"Therewith the uneasy truce that has prevailed in China since January has come to an end and that unhappy country is again being wracked by a civil war which, with but slight intermissions and varying antagonists, has lasted for nearly 40 years. Therewith also the attempt of Chinese 'liberals' headed by acting President Li and Premier Ho to make peace with the Communists by trying to appease them at the sacrifice of President Chiang Kai-shek and, if required, their own bodies, has ended in a new fiasco which leaves National China worse off than before....

"If they have performed one service it was to demonstrate once more both to themselves and to the Chinese people clamoring for peace that the only peace the Communists will accept is peace on their own terms, and that these terms mean a betrayal of all the aims of the Chinese Revolution and the creation of a new Communist tyranny ready to deliver their country to the masters of the Kremlin. But with this demonstration their usefulness appears to be at an end, and voices are already heard in China predicting their retirement in favor of a resurgence of the resistance forces represented by Chiang Kai-shek.

"The only thing that could still save them would be either a Communist reconsideration of the counter-proposals they have submitted, or a Communist defeat at the Yangtze. But these are unlikely alternatives....

"Yet even if the Communists do succeed in crossing the Yangtze, or even capturing Nanking, the war would not necessarily be at an end. For in penetrating into southern China they must expect to meet provincial loyalties and resistance to a far greater degree than in the north....

"The situation has been further complicated by the Communist attack on two British war vessels clearly marked as such. It may be that the Communist mistook them for National warships, and that this attack will prove to be only an incident that can be settled by diplomatic means. But the circumstances of the attack suggest another Panay affair which is bringing more British warships to the scene to rescue the casualties."

The *Philadelphia Inquirer* was even more outspoken on the British affair and saw the shooting on the Yangtze as a warning to the west, saying in part: "The Communist gunfire attack on British naval vessels in the Yangtze River forces the attention of the West to the tremendous meaning of the Red civil war in China....

"Whether the shelling of the British vessels was a case of mistaken identity, or was deliberate, the fact remains that Communist guns have fired upon the Western Powers....

"It might have happened to American ships, if it were not for the caution shown by our naval commanders in keeping away from the river since the Communists took up positions on the northern bank.

"But, according to international usages, both American and British ships had a right to go to the Chinese capital to protect their nationals.

"It would be easy to magnify this incident out of all proportion. Those who are reminded of the bombing of the American gunboat Panay by the Japanese in 1937 should remember that, serious as was the effect on

international relations at the time, the Japs ultimately apologized and paid for the damage.

"The significance of the shelling of these British ships, however, should not be overlooked. It is a sort of attack that can be expected, wherever aggressive expanding Communism meets the interests of the West."

Resilient Diplomacy

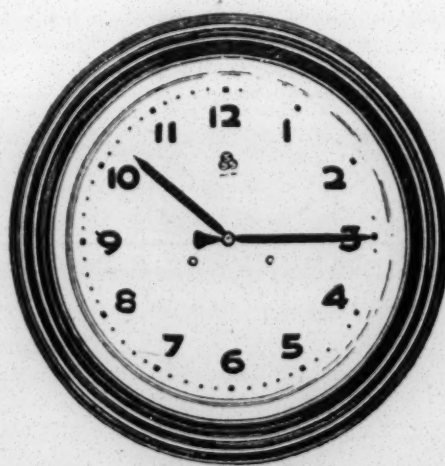


SECRETARY of State Dean Acheson's letter to Senator Tom Connally opposing large-scale aid to China

evoked support from *The Washington Star*, which declared:

"Secretary Acheson's blunt ex-coriation of the \$1,500,000,000 aid-to-Nationalist China plan might persuade Senatorial planners to look again at Asia realities. When will our public men realize that what this country is facing in Asia is a situation outside pat formulae and calling for resilient diplomacy?"

The *Washington Post*, however, maintained that there were certain American interests in China which could and should be served. "On the military side they can best be safeguarded by establishment of centers of security, defensive and protective in character. On the diplomatic side American interests require a constant quest to drive a wedge between authentic nationalism and Russian Communism. The commercial task is easier. Stassen has suggested a Marshall Plan for Asia. Something of the sort must one day be tried."



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The Review's English Lesson—LXXX

MR. J. E. Fu, of Changsha, has sent us an interesting letter on the difficulties of translating certain passages in Jane Austen's novel "Emma." We haven't read "Emma" in a long time, and did not have the opportunity to obtain a copy to look up the passage Mr. Fu mentions, so we shall try to answer his questions, using the passages as quoted in his letter.

To anyone acquainted more with contemporary English literature and journalism, Jane Austen presents considerable difficulty, as her style is considerably different from that usually employed today. The language has changed in structure, and words have come to be spelled differently. Still, some of the passages which Mr. Fu wants clarified seem to fall outside of these possibilities, and appear to contain misprints or may indeed even be misquoted; for example, the first one:

(1) "...and there was some satisfaction in considering with what self-denying, generous friendship she had always wished and promoted the match...." Unfortunately, Mr. Fu didn't quote the whole sentence; but as it stands, the meaning seems obscure indeed—far more obscure than we remember Jane Austen as being. The meaning seems to be that she found satisfaction in herself as a self-denying, generous friend, and promoted the match.

(2) "...and had satisfied an active, cheerful mind and social temper by entering into the militia of his country, then embodied." The word embodied apparently means that the militia had been constituted, set up, organized.

(3) "...Mrs. Weston ought to have found more in it, for she had a husband whose warm heart and sweet temper made him think everything due to her in return for the great goodness of being in love with him; but though she had one sort of spirit, she had not the best." The question is, what sort of spirit did Mrs. Weston have? This passage is too short to answer definitely, but the implication seems to be that, although her husband was willing to give her everything in return for her being in love with him, she perhaps was not—her "one sort of spirit" could then be irritability, selfishness, unkindness, etc. But what Mrs. Weston was like should appear from the rest of the story.

(4) "...but his second must show him how delightful a well-judging and truly amiable woman could be, and must give him the pleasantest proof of its being a great deal better to chuse than to be chosen...." The situation evidently is that a woman has set out after a man, to marry him; but, in this process, she must show herself delightful and amiable, and above all, must give him the illusion that he has chosen her, and not vice-versa. Chuse is an obsolete way of spelling choose.

(5) "...she felt herself a most fortunate woman; and she had lived long enough to know how fortunate she might well be thought where

the only regret was for a partial separation from friends...." Where refers to the situation she found herself in. She was experienced enough to know that she was a fortunate woman, and (in this situation) her only regret was occasioned by a partial separation from friends. Here again, it is too bad not to have the whole sentence.

(6) "Real, long-standing regard brought the Westons and Mr. Knightley; and by Mr. Elton, a young man living alone without liking it, the privilege of exchanging any vacant evening of his own blank solitude for the elegancies and society of Mr. Woodhouse's drawing-room, and the smiles of his lovely daughter, was in no danger of being thrown away." This is obscure indeed; the brought seems meaningless, used in this way, unless it means that the Westons and Mr. Knightley, feeling a real, long-standing regard (for whom?), were urged, compelled (brought) by that feeling to a certain place or society. It may be that a word has been omitted: the sentence might read, "...brought the Westons and Mr. Knightley together...." The remainder of the sentence could be restated thus: "Mr. Elton was a young man living alone without liking it. He was in no danger of throwing away the privilege of exchanging...." In other words, "Privilege thrown away....by Mr. Elton."

WE shall conclude with a quotation from an editorial appearing in the *Shanghai Evening Post*, April 19, 1949:

"While the Chinese Communists cultivated the masses (whose misery was largely overlooked and unrelieved by the [redacted]), while they kept their administrative officials honest, however naive, while they sought overdue land reform even though on a none too longsighted basis, while they fought daringly with the countryside at their backs in contrast to the reluctant positional warfare of the Nationalists, and while they kept their movement essentially Chinese despite fervent protestations of friendship toward the Soviet Union—while the foregoing elements were characteristic of Communism in China, the relatively feeble and decadent [redacted] had but one road to travel. This was down and out."

While...while...and while: This is an effective use of a rhetorical device which helps to tie together a series of clauses, making a unity of a long sentence that otherwise would be weak and diffuse.

This was down and out: This short sentence, concluding the paragraph after the long periodic sentence preceding, is very forceful.

Naive: A word of French origin, meaning unexperienced, amateurish. When the word was first used in English, the masculine form, "naif", was used, but the feminine form has come to be generally used.



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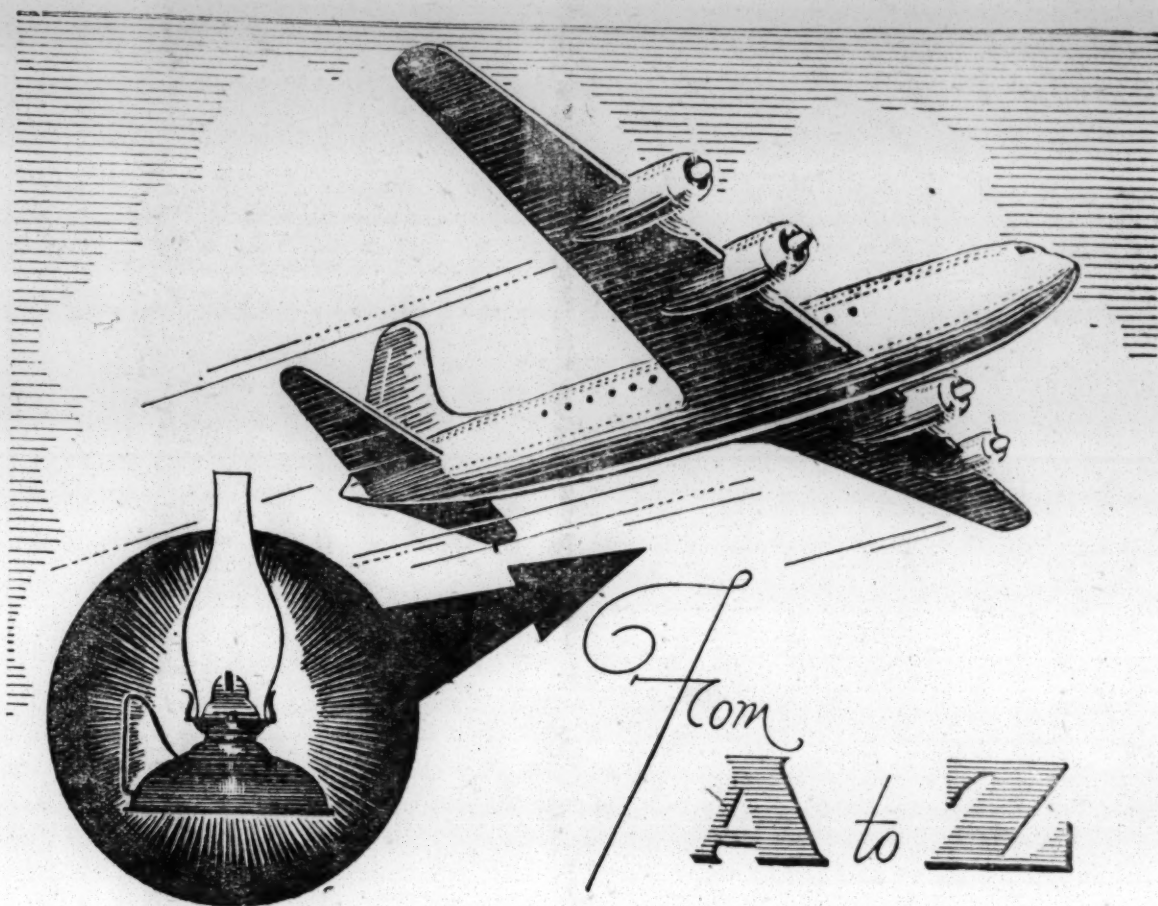
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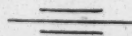
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